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## **RAPID Task Order 2.1 Activity**

### **USAID Assistance to the Transport Sector**

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**Lynn Harmon**

Transportation and Economic Research Associates Inc

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**Chemonics International, Inc.**

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P.O. Box 602090 ▲ Plot 2914, Ext.10 ▲ Pudulogo Crescent ▲ Gaborone, Botswana ▲ Phone (267) 300 884 ▲ Fax (267) 301 027 • [info@chemonics-rapid.com](mailto:info@chemonics-rapid.com)

Chemonics International Inc. ▲ Africa Resources Trust ▲ Business Research and Information Group ▲ Complete Software Solutions Ltd ▲ Consilium Legis (Pty) Ltd ▲  
Crown Agents Consultancy Inc. ▲ Dewey Ballantine LLP ▲ ECOFIN (Pvt) Ltd ▲ Economic Resources Ltd ▲ Independent Management Consulting Services  
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It is difficult for Southern Africa to compete globally with the high transportation cost, time delays, excessive documentation, and unpredictability that currently exist. For customers in land locked countries like Zambia and Malawi, as much as 40% of the cost of imports is transport compared to 5% worldwide. In December last year, the Zambian copper company, KCM, lost \$26 million when three ships left Dar es Salaam under-loaded because the cargo was late to the port. Ocean carriers threatened a surcharge on containers through Durban because of the unpredictability of ship delays before berthing and turnaround times at the port. This surcharge was proposed to recover the real cost of delays and to pressure the port to respond to carrier requirements. AGOA and EU preferences provide significant advantage in the final price of goods, but that is realized only if the deficiencies in transportation are addressed. The Malawi Director of Industry indicated that, on a recent investment promotion trip for the Northern Region, the first question from the potential Taiwanese investors was about the cost and reliability of transport to international markets.

Transport has always been a key component of USAID programs in southern Africa. This paper will review USAID involvement in the sector and plans for an exciting new effort to respond to the request from developing nations at the Doha meeting of the World Trade Organization.

### **Phase 1. Investment in Physical Infrastructure, mid 1980's – 1993**

Between 1981 and 1993, international donors invested \$US 7 billion into the transportation systems of the SADC region, including \$US 415 million from USAID. USAID assistance during this period was primarily in infrastructure rehabilitation and equipment. Despite this level of assistance, transportation inefficiencies persisted. The overall lack of results led to a new approach by USAID.

### **Phase 2. Transport Policy Assistance and Institution-Building, 1994-1999**

It was decided that without policy reform, investment in the infrastructure would not bring the intended results. As a result, Phase 2 focused on the development of the Transportation Protocol, model legal instruments to implement aspects of it, and building/strengthening the institutions to support Protocol implementation. The Southern Africa Transport Efficiency Project (STEP) had two parts: Policy Analysis and Assistance (PAAS) to the Southern Africa Transport and Communications Commission (SATCC) and the Rolling Stock Information System (RSIS). PAAS consisted of four years of long-term policy assistance from August 1995 to September 1999, preceded by one year of technical assistance on the SADC Transportation Protocol. The RSIS project has not yet been completed. Considerable investment has been made in RSIS, and its completion is critical to the overall health of the railways in the region.

The final project evaluation in 1999 concluded that STEP-PAAS had largely achieved its goals.

*Goal 1. Advance the Surface Transport Policy Agenda:* This goal was clearly accomplished with the signing (1996) and ratification (1998)<sup>1</sup> of the Transportation Protocol. The consultative process that was used insured substantial buy-in from all participating countries and sectors. The SADC national governments and transport associations consider it a binding legal document requiring national action.

*Goal 2. Specific Policy Design and Promotion:* Within the framework of the Transportation Protocol, specific policies were analyzed, designed and promoted to varying degrees. At the conclusion of the STEP-PAAS project, 25 policies had been adopted by SATCC at the regional level, but only a few had been adopted and implemented at the national level. Certain issues such as border posts were not addressed, despite their critical importance to transportation efficiency. The need to think regionally was broadly recognized. At the specific policy level, however, there were and still are remaining concerns related to the different stages of development and the difference in the needs of land locked countries and coastal countries. Much of the implementation assistance was planned for the next USAID intervention: RAPID.

*Goal 3. Regional Transport Data Base:* This goal was not achieved. The European Community was also planning to design a regional transport database, so the decision was made to develop an electronic communication network to facilitate project goals, instead. Unfortunately, the EU database was not completed and the need remains for a regional transport database which includes data collection and modeling capacity.

*Goal 4. Capacity-building for SATCC:* Simultaneously with the implementation of the STEP-PAAS project, the role of SATCC-TU was changed from operational assistance and investment promotion to policy reform. Therefore STEP-PAAS was designed to assist SATCC-TU specialists to develop the capacity needed for these new responsibilities. This goal was largely achieved and SATCC was recognized as the leader for transport policy reform in the region. There was, however, need for:

- a legal and regulatory expert to assist national governments in adapting the model legislation to their needs,
- data collection and modeling capacity,
- sufficient funding from SADC to perform the new functions.

*Goal 5. Regional Institutional Framework for Policy Reform:* A framework for working with member governments at the technical, senior official and Ministerial level was established and operating. National coordinators and sub-sector coordinators were selected and were involved in the policy implementation network. Sub-sector committees were formed in the road sector and were in process for the rail sector. Private sector group consultation had been incorporated into the policy-making process, including the Southern African Railway Association, Federation of Eastern and Southern African Road Transport Associations, and the Federation of Clearing and Forwarding Associations of Southern Africa. By the conclusion of STEP, the operational system, strategy and models for reform were in place.

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<sup>1</sup> Zambia joined at a later date.

### **Phase 3: RAPID, July 2000-June 2002**

The Regional Activity to Promote Integration through Dialogue and Policy Implementation (RAPID) shifted the emphasis to implementation. It is the direct successor to STEP-PAAS and represents a long-term commitment to achieving the results of improved transportation efficiency through policy implementation and developing procedures for public policy formulation, advocacy and enforcement that involve the full participation of all stakeholders.

The transportation task order, which was implemented from November 2000 through June 2002 had two main objectives. The first was support of privatization and improved operations in the regional railways and institutional strengthening of the regional railroad association (SARA). It was a direct follow-on to the efforts made in the early two phases. A series of studies reviewed the status of privatization in the region and the kind of technical assistance that might be offered. The first meeting of the railway sub-sector committee (Scom) was held and approved the terms of reference for the Rail Scom and the model legislation that had been developed for railway restructuring, freight concessions and passenger concessions. RAPID also assisted the Southern African Railways Association in such activities as institutional strengthening, demonstrating a railway costing system, and preparing papers on railway concessioning and benchmarking southern African railways against other systems worldwide. Lastly, a pre-feasibility study was carried out for a multimodal operator for traffic between the Copper Belt and Durban using alternative routes traversing Zimbabwe or Botswana. It provided the economic rationale for recommending this approach to create the kind of corridor efficiency needed in the region.

The second objective was greater efficiency on transport corridors. USAID has used two basic approaches for assisting regional economic integration and harmonization – and thereby improving transport facilitation and increasing trade:

- *work at the regional level through 14-nation working groups to harmonize regulations and implement the SADC agreed standards region-wide.* This approach is by its nature slower, but has the potential to bring about greater harmonization. In this approach, the private sector tends to participate as an advisor. This is the system advanced under STEP. The danger is that agreements reached may not get implemented.
- *work on transport or development corridors which is cross cutting - involving a few countries all directly dependent on a transport system working.* This approach is problem solving - identifying constraints on the corridor and devising solutions. It tends to bring the private sector in as direct participants in driving the process. It also promotes interagency cooperation.
- *both are necessary and there are good synergies between the two.* For example, 14-nation customs working groups have been established to advance regional simplification and reforms. To pilot reforms, the customs working group came to

the Trans Kalahari Corridor Management Committee (TKCMC). The Committee Secretariat, which is currently located at the Walvis Bay Corridor Group in Namibia, developed promotional materials, approached truckers and freight forwarders to urge their participation in the pilot and the evaluation, and held press conferences. When the private sector members realized that the SADC customs document still did not apply for all customs purposes, they went to Namibian customs and urged immediate legislative action to enable the SADC document to be used as a single customs document. The dynamic response of the Walvis Bay Corridor Group came from the private sector members who had a practical goal of benefiting their member companies. Once the concrete benefits are realized in one country, others will generally follow. When the pilot is completed and evaluated, the regional working group will use it to spur other countries in the working group to adopt the system as well with the ultimate goal of common customs practices and simplification throughout SADC.

Implementation of regional policies is carried out at the national level. At this stage, a targeted approach is more focused and can respond to national and corridor priorities. It also allows stakeholders with a willingness to proceed to gather momentum and lead the effort. The Transportation Protocol is a comprehensive, complex document. Some aspects can be acted upon easily to demonstrate results. Others will take far more constituency-building and political/intra-agency dialogue to obtain legislative approval and to carry out implementation “on the ground”. By having the flexibility to work on “achievable” objectives while advancing the overall agenda, results can be realized and used to promote other changes within the country or adaptation of the same reform elsewhere within the region.

Most regional integration initiatives, Mercosur, NAFTA, the Andean Pact, the European Union, have begun with cooperation on specific commodities and issues that were achievable. From these specific bilateral agreements a more comprehensive agreement was reached after a number of years during which progress was very uneven.

The challenge is “to keep the eyes on the prize”. The goal is to have uniform, simplified regulations and procedures throughout the region, so that, for example, a trucker can leave the port and transit three countries without having to make adjustments in his load, present different forms and payments at each border, or stay overnight at a border that was closed when changing his routing would have allowed him to proceed. As reforms are instituted at the national level, it is necessary to have a monitoring system in place to know which reforms have been completed, which are in process and which have been stalled. The sub-sector committees are intended to monitor achievement of goals, but reporting is sporadic.

While some transportation work is being done at the region-wide level, largely led by SATCC, USAID has shifted much of its activity to a targeted corridor approach to capture the energy of the private sector and their immediate bottom line interest in improvements. Corridor committees bring together the private sector (which needs cheap fast reliable transport to be successful companies and “grow the economy”) and the

public sector (which is responsible for creating the environment for economic growth and increased employment) to find practical solutions to difficult problems which neither can solve alone. The expected outcome for businesses, governments and USAID is a more efficient, cost-effective transport system with harmonized regulations and a committee designed to continually monitor the performance of the corridor and to coordinate the efforts of the members to keep improving that performance. RAPID is providing assistance to two RCSA-supported corridors: the Trans Kalahari Corridor and the Dar es Salaam Corridor. The former will be used as an example of the corridor approach at work.

### *The Trans Kalahari Corridor*

The Trans Kalahari highway was developed as a fast, overland route to the west coast port of Walvis Bay with its closer access to Europe and the Americas, a route to open up new tourism in the region, and a general spur to business development and employment along the corridor. It passes through Windhoek, across the Kalahari to Lobatse and then to Pretoria as the gateway to the Gauteng. The Namibia portion was completed in 1996, the Botswana portion in 1997 and it was officially opened by the Presidents of Namibia and Botswana in March 1998. South Africa just launched the Bakwena Platinum Highway on February 7, 2002 designed to bring major new investment to the corridor and strengthen the first transcontinental highway across southern Africa.

At the design stage, it was anticipated that 320 vehicles would cross the Namibia/Botswana border each day of which 25% or 78 would be heavy goods vehicles. A 4% growth rate was anticipated for each subsequent year. In September 1999, the actual traffic was 160 vehicles per day of which 10-20 were heavy goods vehicles. While domestic use has increased significantly by recent counts, transit traffic across the entire route is still only 160, although the heavy goods vehicles were up to 55. With this low utilization rate for transit, the concomitant business development has also been slow.

As a result of this underutilization, a tri-national inspection team was sent by SATCC and SACU-TLC in September 1999. This team traveled the route and made recommendations for solutions to the constraints they observed. These recommendations formed the basis for the formation of the Walvis Bay Corridor Group which brings together the private transport providers, Namibian business users and government agencies with a role to play in the development of the corridor. The Ministry of Transportation was the lead government agency and demonstrated its commitment by contributing from the national budget approximately half of the Corridor Group's budget. This group has been functioning effectively in addressing constraints within Namibia and marketing use of the corridor. It quickly became obvious that, to achieve results, cooperation was also needed among the three countries through which the highway passes. Hence the Trans Kalahari Corridor Management Committee (TKCMC) was proposed. The overarching goal is to stimulate economic growth, trade and employment in all three countries.

The Memorandum of Understanding (MoU), which has just been approved by all three governments, is the result of intensive efforts by the Ministries of Transport countries and

representatives of the private sector: transport operators, freight forwarders and shippers. Already substantial interagency awareness has been raised during the approval process and the agencies are prepared to work together for the goals of the Corridor. The MoU creates a legal framework for cooperation, sets the goals of the Corridor Management Committee (CMC), determines an agenda of issues to be addressed by the CMC and commits to a timeframe for achievement of the agenda. The MoU does not try to determine the solutions to issues, but leaves that to the deliberation to the Committee and its working groups, including stakeholders. The specific solutions found will be incorporated in the MoU as annexes at a later date. The MoU graphic below illustrates the concept of the MoU, as a cooperative framework linking the countries on the Corridor, and the areas to be addressed by the Committee through Working Groups on each of the 12 Annex topics.

### Trans Kalahari Corridor



Potential benefits of the Memorandum of Understanding are:

- The spatial, economic and transportation planning for the corridor will be integrated for maximum impact.
- Conflicting regulations and policies can be identified and harmonized in the interest of all countries on the Corridor and in compliance with the SADC Transport Protocol.
- Transport and logistics can be viewed as an integrated system with the objective of providing maximum service at minimal cost and thereby increasing the competitiveness of the SADC region.
- The Trans Kalahari Corridor can be more effectively marketed.
- Cooperation among the participating countries will be encouraged and institutions established to achieve concrete development goals. Private sector interests will be brought to the table as partners in development planning to provide insights on the impact of policies on economic growth and for the development of proactive policies to insure private sector success in the region.

In the meantime, a number of results have already been achieved by the Committee:

- The USAID Corridor Team has been building support for one stop border posts throughout the region since 2000. This year it has worked with the South African Revenue Service in a process of building internal consensus for joint border facilities. RAPID prepared a position paper and draft bilateral agreement to supplement the draft legislation prepared last year. The RAPID consultant made a presentation of the concept and participated in the discussion and planning process. As a result, the legal department of SARS is now finalizing the draft enabling legislation and bilateral agreements. SARS is incorporating the one stop border post concept into the design for its new border post at Skilpadshek on the TKC and is forming an interagency group to obtain support for joint border posts from the other agencies involved at the border posts. Both Botswana and Namibian customs have indicated their interest. The next step for USAID is to follow a similar consensus building process in Botswana and Namibia so that the joint border post concept is introduced throughout the TKC. To this end, a roadmap has been prepared on what needs to be done in these two countries to have the legal basis for joint border facilities. Once demonstrated on the TKC, other countries will likely follow suit. A presentation was made to the customs working groups which have expressed interest in the concept and provide a means of spreading the lessons learned on the TKC throughout the region. An hour saved in crossing the TKC saves approximate US\$120 thousand. At Chirundu or Beit Bridge the annual cost of a 5-hour wait is US\$2.2 million. All of this cost is ultimately passed on to the customer and has a significant impact on international competitiveness and local consumption.



- In May 2002, a transport consultant traveled the TKC in a 56 ton interlink truck to update the data on corridor performance and get a first hand view of the route as a trucker sees it. The importance of animal controls, rehabilitation of the section from Jwaneng and Sekoma, better signage, more facilities en route, and harmonized overload restrictions/enforcement and road user charges were perceived to be the important constraints for TKCMC to address.
- This trip demonstrated that the TKC is providing 48 hour service from the time a ship docks in Walvis Bay until the cargo is unloaded on the factory floor in Gaborone. The trip confirms that TKC has a market niche is time critical cargo to and from the U.S. and Europe.
- A study of institutional capacity building for the Port of Walvis Bay provides performance indicators and benchmarks. It recommends steps that can be taken to insure that this efficient operation remains so with increased volumes of traffic.
- A study of road user charges provides the current road maintenance requirements and method of financing in the three TKC countries. It makes recommendations for next steps in harmonizing the system in these three countries.
- A study of existing heavy goods vehicle (HGV) driver training and testing in TKC countries has been started. It should be completed and a common system implemented.
- An overload control pilot has been designed and a legal analysis of the best means of using administrative penalties under existing regulations completed. Once piloted, it will be introduced throughout the TKC. In the meantime, Botswana legislation is expected to be enacted by May 2003 which replaces criminal treatment of the offense to administrative procedures with a deterrent level of penalties.
- A container freight study of the traffic from the Gauteng bound for the United States and Europe has been designed to assist TKCMC in planning their market strategy.
- A system of performance indicators for the corridor has been planned that will provide the means of demonstrating results from the corridor work.
- An HIV/AIDS prevention and clinic program for the TKC has been initiated led by FESARTA with funding support from USAID-Pretoria.
- Preliminary meetings were held with the public and private sector in Botswana for the development of a national corridor committee similar to the Walvis Bay Corridor Group. Interest was expressed in a group that would promote use of the Trans Kalahari and business development along the TKC using a major study completed in 2000.

Some of the expected economic benefits of the TKCMC for all three countries that use the Corridor are:

- TKC is 400 km shorter than the alternative route through Upington, yet many truckers still use the Upington route. When TKCMC achieves harmonized road user charges and overload regulations/enforcement, control of domestic livestock and facilities across the Kalahari, the playing field will be level and the most economic route used.
- TKC makes manufacturers in Gauteng with time critical products 3-5 days closer to the U.S. market
- Namibia increased tourism 15% annually between 1992 and 1999 and in 1999 tourism accounted for almost 10% of GDP and 7 % of employment. The Coast to Coast Tourism Marketing Initiative depends on good roads and infrastructure. The TKCMC is working toward this goal.
- The MoU creates a Corridor Management Committee to work with government agencies and private firms to promote businesses on the corridor that respond to the needs of truckers, passengers and tourists. For example, unemployment rates along the corridor vary from 11 – 24% in Botswana. Each new fuel station/food stop will hire 15 – 40 employees at a base monthly salary of US\$96 each up to US\$160 for managers. This potentially brings US\$19,500 to 48,000 in direct earning into the local economy. To this can be added the earnings from direct procurement, transport, and distribution services. Beyond this, there is a multiplier effect from the spending of each new employee within the local community and beyond. The average Botswana monthly household income in rural areas is \$103. Therefore each new earner almost brings a household up to the average income single-handedly and a second earner well over the average.
- The Bakwena Platinum Toll Road will generate 3,000 jobs during construction with 15-50% reserved for black empowerment firms and, using a conservative 4% multiplier effect, 12,000 indirect and induced jobs.
- Namibian legislation requires institutions and pension funds to channel 35% of their investments into local assets and investment options. Local communities and Namibian businessmen should capture some of these funds for sound tourism and business investments on the Corridor. This is highly appropriate since what is needed are medium sized operations that present local culture, handicrafts and history to the tourists.

With government and the private sector working collaboratively, the Trans Kalahari Corridor Management Committee can provide the focus and impetus to improve the transport system on the TKC. Effective transportation policy, regulations and stimulus as well as the development of an efficient logistics chain remain essential to African economic growth.

*Lessons learned:*

- Corridor groups are problem solving entities and the operational procedures should encourage this attitude and reinforce the flexibility necessary to responsiveness.
- Sub-committees should be formed on an adhoc basis to address specific issues or annexes and disbanded when the objective is met. They can always be reconvened if the necessity arises. The organization should use the precious time given by CMC members effectively.
- The stakeholder process within government and in the wider community, takes time but builds the internal vision and support necessary for success. Corridor issues are by their nature often interagency and that process should be fostered through out government.
- Ownership and power sharing should be encouraged by the organizational design and operating procedures.
- The committee organization should insure public private interaction at all levels.
- It is better to target those issues where there is sufficient public/political will to achieve results, and then the more intransigent issues will be dealt with more easily later.
- Committees must be able to generate economic benefit statements in support of their agenda.
- Committees function best if there is a full time secretariat that can monitor the implementation of the action plan and provide specialized technical work as needed.
- Because much of the CMC agenda must be carried out by national governments and because the interests of the private sector are affected by location, a CMC will be stronger that rests on national corridor groups with a strong private sector and government base.

*Dar es Salaam Corridor*

Field research has just been completed and recommendations made for a Corridor Committee on the Dar es Salaam Corridor serving Tanzania, Malawi, Zambia and Congo. Much of the traffic is to and from the Port of Dar es Salaam, but increasing traffic is moving north and south through the interior. Many of the lessons learned described above are enshrined in the proposed organization and constitution for this Committee.

The trade and transport environment in the region is becoming increasingly competitive requiring transport operators to evaluate their operating practices against those on other corridors and for governments to evaluate their regulatory system and trade promotion efforts to determine whether these efforts effectively promote the economic development they seek. The increasing competition among routes in the SADC region can only make the system more efficient, more cost effective, and more reliable. Major shippers have learned the hard way that they must use multiple routes to maintain their corporate viability for a time when nature, political differences or civil war disrupt the flow of goods. There is a significant role for the corridor committees to play in bringing divergent interests together for problem solving. In the process, African trade and economic development is advanced in the interest of all.

#### **Phase 4. RAPID – The Global Competitiveness Hub, July 2002 – September 2004**

USAID is just introducing a new approach to their regional integration activities based on a yet more demanding criteria for success – the international marketplace. The establishment of the Southern Africa Global Competitiveness Hub in Gaborone, Botswana, will reinforce regional efforts to enhance Southern Africa's trade competitiveness and thereby take greater advantage of the increased trading opportunities provided through the Africa Growth and Opportunity Act (AGOA) and other global trade initiatives. Through the Hub, technical assistance will be provided to Southern African countries, including the region's private sector and civil society organizations, to promote the six main themes of the Trade for African Development and Enterprise (TRADE) initiative:

- enhance the competitiveness of Southern African products and services;
- expand the role that trade can play in African poverty reduction strategies;
- promote U.S.-Southern African business linkages;
- improve the delivery of public services supporting trade;
- strengthen Southern African capacity for trade policy formulation and implementation; and
- strengthen the enabling environment for Southern African businesses.

RAPID will accomplish the purpose of the task order by undertaking a set of activities that:

- strengthen the capacity of Southern African countries to more effectively participate in the multilateral trading system, including WTO Doha Development Agenda negotiations;
- develop and implement private sector business support strategies for increasing trade under AGOA;
- facilitate the effective implementation of customs reform and trade facilitation initiatives to promote the creation of a more globally competitive Southern African region;
- support the establishment of private/public partnerships for the coordination and management of model transit transport corridors in Southern Africa;

- reduce barriers to increased intra-regional and external agricultural trade through the development of sanitary and phyto-sanitary (SPS) and food safety standards and practices that comply with import requirements of the U.S. and the European Union (EU); and
- increase awareness of Southern Africa as an investment opportunity.

The Hub will act as a central point where Southern Africans, USG agencies, and bilateral and multilateral donors can access information on donor-funded trade, investment, and business development activities taking place in the region, including available training opportunities and an inventory of past and current technical assistance provided in the region. While the new task order is designed to be flexible enough to respond to new initiatives that are consistent with the overall scope of the Southern Africa Global Competitiveness Hub, initially the following six sub-activities will be implemented through the Hub:

- Trade Capacity Strengthening
- AGOA Export Business Development
- Customs and Trade Facilitation
- Transport Corridor Efficiency
- SPS/Food Safety Standards for Agricultural Trade
- Information Exchange and Outreach

Therefore, the Hub concept is to integrate the aspects of the RAPID program into a results oriented framework with a single overarching goal of increasing trade competitiveness and development in the SADC region. The emphasis on transport corridor efficiency remains, but closely linked to trade development which can bring the economies of scale that will facilitate reduced cost and increased efficiency in transportation and logistics. The plans for the Global Competitiveness Hub are evolving as we speak and I will be very glad to convey your feedback and recommendations to RCSA as input for the development of the workplan.